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Структура неформального предпринимательства для интеграции неформального сектора в экономику Муниципалитета округа Табо Мофуцаньян в Южной Африке

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Аннотация: Данное исследование проведено с целью разработки структуры неформального предпринимательства, идеально подходящей для интеграции неформальных предпринимателей в экономику муниципалитета округа Табо Мофуцаньян в Южной Африке. Разработка структуры, подходящей для применения при интеграции неформальной экономики, необходима, поскольку общие структуры, такие как структуры ОЭСР и МОТ, идеально подходят для использования в развитых экономиках. Для разработки структуры были получены статистические результаты. Был проведен исследовательский факторный анализ в анализе главных компонентов, и полученные результаты способствовали разработке структуры неформального предпринимательства. Крайне важно разработать структуру, поскольку интеграция неформального сектора невозможна без помощи четкой структуры, а также регуляторных политик и процедур. Также должны быть созданы законодательные рамки для содействия интеграции неформального сектора.

Ключевые слова: неформальные предприниматели, неформальный сектор, интеграция неформальных предпринимателей, формализация, структура.

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Informal Entrepreneurship Framework for Formalising the informal sector at Thabo Mofutsanyane District Municipality in South Africa

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Abstracts: This study was carried out to develop an informal entrepreneurship framework that is ideal to integrate informal entrepreneurs into the main stream economy at the Thabo Mofutsanyane District Municipality in South Africa.

Development of a framework that is suitable to be applied for the formalisation of the informal economy is necessary as the generic frameworks such as the OECD and ILO frameworks are perfect to be used in developed economies. Statistical results were carried out to determine the outcome of the framework. An exploratory factor analysis in principal component analysis was carried and the results supported the development of the informal entrepreneurship framework. It is however, imperative to develop the framework since formalisation of the informal sector is impossible without the aid of a feasible framework and regulatory policies and procedures. Legislative frameworks have to be also put in place to facilitate the integration of the informal sector.

Keywords: Informal entrepreneurs, Informal sector, integrate informal entrepreneurs, formalising, framework.

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Introduction

Empirical research in different African nations, including South Africa, has identified the primary factors impeding the expansion of the informal sector, such as a lack of infrastructure, capital, required skills, burdensome laws, and security concerns.¹

Informal entrepreneurs have access to the following benefits: working flexible hours at the entrepreneur's convenience, the opportunity to manage personal and welfare needs, the ability to receive capital if they go formal, and a few incentives after registering their enterprises. The availability of funding through the government's assistance provides the opportunity for the informal entrepreneurs to grow.² It is, however, essential to develop an informal integration framework to incorporate the informal sector into the formal economy in South Africa.

Literature Review

There are various informal integration frameworks used by developed nations to formalise informal entrepreneurs. Developing nations like South Africa have not managed to develop an informal integration framework that can help to integrate the informal economy into the formal economy. To develop the informal entrepreneurs' integration framework that is ideal for the South African informal entrepreneurs' formalisation, the Organisation for Economic Co-operation and Development (OECD) framework and the International Labour Organisation (ILO) frameworks were adopted.³ Legislative modifications in the framework can be implemented to accommodate informal entrepreneurs and formalise the informal sector and employment activities³. Exemption from company registration fees, for example, if entrepreneurs undergo personalised business training and counselling. According to the OECD framework, training and counselling prepare entrepreneurs for the formal sector and foster trust between institutions and entrepreneurs.

Legislative modifications to the framework can be implemented to accommodate informal entrepreneurs and formalise the informal sector and employment activities³. Exemption from company registration fees; for example, if entrepreneurs undergo personalised business training and counselling. According to the OECD framework, training and counselling prepare entrepreneurs for the formal sector and foster trust between institutions and entrepreneurs.

The OECD framework provides an opportunity for migrants and the less educated to learn about the operational legal environment and the infrastructure needed to launch official enterprises. Overall, the OECD approach is beneficial because excessively harsh fines can drive informal entrepreneurs out of the market and discourage them from formalising their businesses. Legislative modifications can be made to accommodate these informal entrepreneurs and help formalise the informal sector and employment

¹ Mahadea, D. and Zogli, L. J. (2018). Constraints to Growth in Informal Sector Activities and Formalisation: A Case Study of Ghananian Slums. *The Southern African Journal of Entrepreneurship and Small Business Management*, 10 (1), 55-68.

² Mohr, P. (2017). Business incubation models and institutionally void environments. *Technovation*, 68, 44–55.

³ Organisation for Economic Cooperation and Development. (2014). *Policy Brief on Informal Entrepreneurship: Entrepreneurial Activities in Europe*. (Online). Available from: https://www.oecd.org/cfe/leed/Policy%20Brief%20on%20Informal%20Entrepreneurship_%20Entrepreneurial%20Activities%20in%20Europe.pdf [Accessed 23 January 2025]. International Labour Organisation. (2015). Concerning the transition from the informal to the formal economy. *Recommendation 204, 104th International Labour Conference*. Geneva.

activities. For instance, exemptions from company registration fees could be offered to entrepreneurs who complete personalised business training and counselling. According to the OECD framework, training and counselling prepare entrepreneurs for the formal sector and foster trust between institutions and entrepreneurs.⁴ In general, the OECD approach is helpful because if fines are excessively harsh, informal entrepreneurs are driven out of the market and discouraged from formalising. The OECD framework was used as a reference to construct a stakeholder framework perfect for integrating informal businesses into South Africa's Thabo Mofutsanyane District Municipality. The ILO Recommendation 204 provided members with guiding principles to: «(a) facilitate the integration of workers and economic units from the informal to the formal economy, while respecting workers' fundamental rights and ensuring opportunities for income security, livelihoods, and entrepreneurship; (b) promote the creation, preservation, and sustainability of enterprises and decent jobs in the formal economy; and (c) prevent the informalisation of formal economy jobs».⁵

South Africa, as an ILO member, is following these standards in formalising the informal sector. Although much work remains to be done to integrate the guidelines with the integration rules and policies, there is an urgent need to involve the ILO in the implementation of the guidelines, policies and regulations in order to achieve the desired outcomes in South Africa. The member nations should set up an integrated policy framework in conformity with the ILO Resolution that is capable of addressing the concerns listed in Table 1 below.

Table 1

International Labour Organisation framework ⁶

Sustainable Development Strategies	Legislative & Regulatory Frameworks	Employee Development	Employee Protection
Promotion of a conducive business and investment environment	Promotion and realization of the fundamental principles and rights at work	Access to education, lifelong learning and skills development	Effective occupational safety and health policies
Entrepreneurship promotion	Representation of employers and workers to promote social dialogue	Establishment, and the extension of social security coverage	Efficient and effective labour inspections
Access to financial services regulatory framework promoting an inclusive financial sector;	Promotion of equality and the elimination of all forms of discrimination, at the workplace		Income security, including appropriately designed minimum wage policies
Access to business services	Promotion of sectoral policies		Effective access to justice
Access to markets			International cooperation mechanisms
Promotion of local development strategies, both rural and urban and access to natural resources for livelihood			
Access to infrastructure and technology			

⁴ Organisation for Economic Cooperation and Development. (2014). *Policy Brief on Informal Entrepreneurship: Entrepreneurial Activities in Europe*. (Online). Available from: https://www.oecd.org/cfe/leed/Policy%20Brief%20on%20Informal%20Entrepreneurship_%20Entrepreneurial%20Activities%20in%20Europe.pdf [Accessed 23 January 2025].

⁵ International Labour Organisation. (2015). Concerning the transition from the informal to the formal economy. *Recommendation 204, 104th International Labour Conference*. Geneva.

⁶ International Labour Organisation. (2015). Concerning the transition from the informal to the formal economy. *Recommendation 204, 104th International Labour Conference*. Geneva.

Member countries must modify their regulatory frameworks to facilitate the integration of the informal economy into the formal economy. Policies that favour the integration of workers from the informal sector to the formal sector should also be considered, as they are critical to the integration of the sector. Further to that, economic policies that promote entrepreneurial integration into the formal economy should also be considered.

Demographic information

This section presents the demographic profile of the participants, namely their gender, age, academic qualifications, entrepreneurial operation period, entrepreneurial employment range, and entrepreneurial types. The demographic results presented in this section are derived from the author's thesis entitled «Integrating Informal Entrepreneurs into the Formal Economy at Thabo Mofutsanyane District Municipality: A Case of Thabo Mofutsanyane District Municipality, South Africa», presented to Management College of Southern Africa (MANCOSA) in 2023.

Gender frequency statistics showed that 58% of study participants were male and 42% were female. A same number of men and women participated in this study. Male informal entrepreneurs are usually more than female ones. Women are less likely to be entrepreneurs than men, hence men outnumbered women. Social and cultural gender biases in questionnaire randomisation may explain this. At the time of this study, 29% of respondents were 20–29 years old, 17% were 30–39 years old, 32% were 40–49 years old, and 22% were 50+. Most respondents (78%), were 20–29, 30–39, and 40–49 years old. According to worldwide entrepreneurship data, most entrepreneurs are 18–64 years old.⁷ Due to unemployment, these age groups are embracing informal entrepreneurship.⁸

Academically, 19% had Grade 11, 53% Grade 12, and 28% First Degrees. The results imply that all the respondents had the capacity to read and write, enabling them to do basic numeracy.

Entrepreneurship operation period indicates that 55% of the respondents had operated for a period of one to five years, 34% had operated for six to ten years and 11% had operated for a period of 11 years and above. The majority of the respondents, constituting 66%, had operated for a period of between one to ten years. The results reflect that the majority of the entrepreneurship organisations had operated for a short period of time; maybe this is caused by failure to sustain the operations due to scarcity of capital to grow the businesses.

Entrepreneurship employment range illustrates that 86% of the respondents had between one to five employees, 10% had six to ten employees and 4% of the respondents had 11 and above employees. Informal entrepreneurs are categorised in the micro enterprise sector that employs between zero to ten employees.⁹

This study found that the employees surveyed were from small businesses with 0-10 workers. Most respondents (96%) reported having one to ten employees, indicating that informal entrepreneurship typically employs a small number of individuals. This demonstrates their survivalist nature. According to the poll, 66% of informal entrepreneurs earned between R1 500 and R5 000 per month, 25% earned between R5 001 and R10 000, 5% earned between R10 001 and R15 000, and 4% earned between 15 001 and R20 000. Informal entrepreneurs' micro businesses generate 2.5 million dollars annually. The data reflects that informal entrepreneurs do not earn much. They are survivalists, and their claim is supported by quantitative and qualitative results. As demonstrated in Figure 4.6, most informal enterprises earn R18000–R60000 annually. Their wages merely help them survive.

Informal Entrepreneurs Integration Framework

The paper adopted a quantitative research approach. Statistical tests were carried out in order to identify and establish the fundamental variables necessary for the design of an operational framework for the integration of informal entrepreneurs.

⁷ Brieger, A., Baro, A., Criaco, G. & Terjesen, S.A. (2021). Entrepreneurs' age, institutions, and social value creation goals: A multi-country study. *Small Business Econ*, 57: 425–453.

⁸ ILO. (2018). *Women and men in the informal economy : A Statistical Picture*. 3rd ed. International Labour Office: Geneva, Switzerland. http://www.ilo.org/wcmsp5/groups/public/-dgreports/-dcomm/documents/publication/wcms_626831.pdf (accessed on 17 May, 2025).

⁹ Department of Small Business Development. (2019). https://www.gov.za/sites/default/files/gcis_document/202012/small-business-annual-report-2019-20.pdf.

The integration of the informal economy framework is advocated for the integration of informal entrepreneurs in the Thabo Mofutsanyane District Municipality. Sample size relates to the participants and respondents selected to represent the sample in a mixed method study.¹⁰ Quantitative sample was obtained by using the Conroy Table as illustrated in Table 2, which determined the sample size of 333 respondents at the confidence interval level of 95% and margin of error of $\pm 5\%$. The quantitative data collection sample size was 333 respondents drawn from a list of 2500 informal entrepreneurs from the six local municipalities as illustrated in Table 2 below.

Table 2

Sample size for integration of informal entrepreneurs ¹¹

Margin of error	Population					
	Large	5000	2500	1000	500	200
$\pm 20\%$	24	24	24	23	23	22
$\pm 15\%$	43	42	42	41	39	35
$\pm 10\%$	96	94	93	88	81	65
$\pm 7.5\%$	171	165	160	146	127	92
$\pm 5\%$	384	357	333	278	217	132
$\pm 3\%$	1067	880	748	516	341	169

Table 3 illustrates the sample size selected for each local municipality. The 333 questionnaires were administered to the respondents, and 234 questionnaires were duly completed and returned. The return rate was 70%, indicating a very good return rate.

Table 3

Sample Size per Local Municipality ¹²

Local Municipality	Sample size
Dihlabeng	57
Maluti-a-Phofung	57
Mantsopa	48
Nketoana	57
Phumela	57
Setsoto	57
TOTAL SAMPLE SIZE	333

Presentation of Inferential Statistical Results

This section reports the outcomes of the two-step strategy used to assess the model and test the hypotheses. Table 4 below shows the findings of an Exploratory Factor Analysis performed in SPSS version 27.

Table 4 above provides SPSS version 27 Exploratory Factor Analysis results. First, KMO and Bartlett's tests assessed factor analysis's applicability. Sample adequacy was met because KMO values were substantially above 0.5. The correlation matrix's sphericity is statistically significant with $p = 0.05$, distinguishing it from an identifiable matrix. After finding that factor analysis was appropriate, SPSS Version 27 was used to perform an Exploratory Factor Analysis utilising the maximum likelihood approach with Varimax rotation to explore scale item factor structure and linkage. The findings from the Rotation Factor Matrix are in Table 4 above. The Exploratory Factor Analysis showed that all factor loadings for the items used to measure the variables in this study were between 0.742 and 0.971, above the 0.5 rule of thumb.

¹⁰ Salkind, N.J., (2017). Exploring research. 9th Edition. San Francisco, Pearson Higher Ed.

¹¹ Conroy, R. (2020) Sample Size: A Rough Guide. Available at: <http://www.beaumontethics.ie/docs/application/samplesizecalculation.pdf>

¹² Primary Data: Extracted from Author's Thesis.

Table 4

Exploratory factor analysis in principal component analysis ¹³

Constructs	Items	Original Measurement		Adjusted Measures Model		
		Factor Loading	P-value	KMO and Bartlett's Test	Rotated Factor Loading	P-value
Contributions	Imparting skills	0.950	0.002	0.713	0.902	0.000
	Reducing poverty	0.974	0.000		0.948	0.000
	Employment creation	0.924	0.000		0.854	0.000
Challenges	Management skills	0.907	0.000	0.725	0.823	0.000
	Working space	0.965	0.000		0.932	0.000
	Inadequate funding	0.965	0.000		0.931	0.000
Integration factors	Government support	0.985	0.000	0.786	0.971	0.000
	Enabling environment	0.979	0.000		0.959	0.000
	Informal entrepreneurs' concerns	0.985	0.000		0.970	0.000
Integration frameworks' effectiveness	Unavailable frameworks	0.942	0.000	0.813	0.887	0.000
	Ineffective current frameworks	0.981	0.000		0.962	0.000
	Generic frameworks not ideal	0.976	0.000		0.953	0.000
	South African environment different from European	0.879	0.000		0.773	0.000
Integrating mechanism	Incubation	0.984	0.000	0.748	0.969	0.000
	Proper regulatory frameworks	0.959	0.000		0.920	0.000
	Transparent support systems	0.986	0.000		0.971	0.000
Persuasion techniques	Structured working shelter	0.966	0.000	0.681	0.933	0.000
	Training and development programmes	0.968	0.000		0.938	0.000
	Entrepreneurs' involvement	0.861	0.000		0.742	0.000
Incentive mechanism strategies	Tax breaks	0.958	0.000	0.716	0.917	0.000
	Advanced modern technology	0.966	0.000		0.934	0.000
	Government subsidies	0.899	0.001		0.808	0.000

Internal consistency, convergent validity, and discriminant validity were assessed for the measuring model. Table 5 shows reliability and validity data for all research variables in this study. Each construct's internal consistency was assessed by assessing composite reliability values, which need indicators to be statistically significant at 0.7 or higher. SPSS 27 was used for the analysis.

Table 5 shows that all research variables' composite reliability (CR) values were more than 0.7, as they ranged from 0.907 to 0.977, demonstrating the reliability of all variable measures employed in this investigation.

The study also evaluated construct validity, which included convergent and discriminant validity. The dataset's convergent validity was assessed using a minimum cut-off point of 0.5 and the AVE. Constructs with an AVE lower than 0.5 were corrected by removing indicators with low loadings. The AVE values ranged between 0.766 and 0.934, as indicated in Table 3 above, which is greater than the minimum permissible value of 0.5. Furthermore, the total factor loadings of all of the research variables used in this

¹³ Primary Data: Extracted from Author's Thesis.

Table 5

Reliability and Validity Results ¹⁴

Constructs	Items	Reliability and validity results			
		Factor loadings	CR	AVE	AVE SQ RT
Contributions	Imparting skills	0.902	0.929	0.813	0.902
	Reducing poverty	0.948			
	Employment creation	0.854			
Challenges	Management skills	0.823	0.924	0.804	0.897
	Working space	0.932			
	Inadequate funding	0.931			
Integration factors	Government support	0.971	0.977	0.934	0.966
	Enabling environment	0.959			
	Informal entrepreneurs' concerns	0.970			
Integration frameworks' effectiveness	Unavailable frameworks	0.887	0.942	0.804	0.897
	Ineffective current frameworks	0.962			
	Generic frameworks not ideal	0.953			
	South African environment different from European	0.773			
Integrating mechanism	Incubation	0.969	0.967	0.909	0.953
	Proper regulatory frameworks	0.920			
	Transparent support systems	0.971			
Persuasion techniques	Structured working shelter	0.933	0.907	0.766	0.875
	Training and development programmes	0.938			
	Entrepreneurs' involvement	0.742			
Incentive Mechanism Strategies	Tax breaks	0.917	0.917	0.788	0.888
	Advanced modern technology	0.934			
	Government subsidies	0.808			

investigation were greater than 0.5, confirming that the questionnaire employed converged well with the variables examined in this study. As a result, the basic model was acceptable, and no more modifications were required.

The discriminant validity of the investigation was further evaluated by comparing the AVE square root values to the correlation coefficients. Discriminant validity, is «the extent to which a construct is unique and captures phenomena not represented by other constructs in the model».¹⁵ Discriminant validity testing was critical in this study, which included latent variables and the use of many items or indicators to represent the construct. As a result, determining discriminant validity prior to hypothesis testing was critical. The latent categories employed to assess the causal linkages under investigation have to be truly distinct from one another. The Fornell and Larcker criterion was utilised in this work, which is the most generally used method in measuring discriminant validity.¹⁶

Each latent variable's AVE square root value should exceed the other correlation values among the latent variables, according to the Fornell-Larcker criterion. The discriminant validity is shown in Table 6.

Table 6 demonstrates that the square root of AVE for each latent variable is greater than the correlation values among the latent variables, showing discriminant validity between the variables.

¹⁴ Primary Data: Extracted from Author's Thesis.

¹⁵ Hair, J.F., Hult, G.T.M., Ringle, C.M. & Sarstedt, M. (2017). A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM). 2nd Edition, Sage Publications Inc., Thousand Oaks, CA.

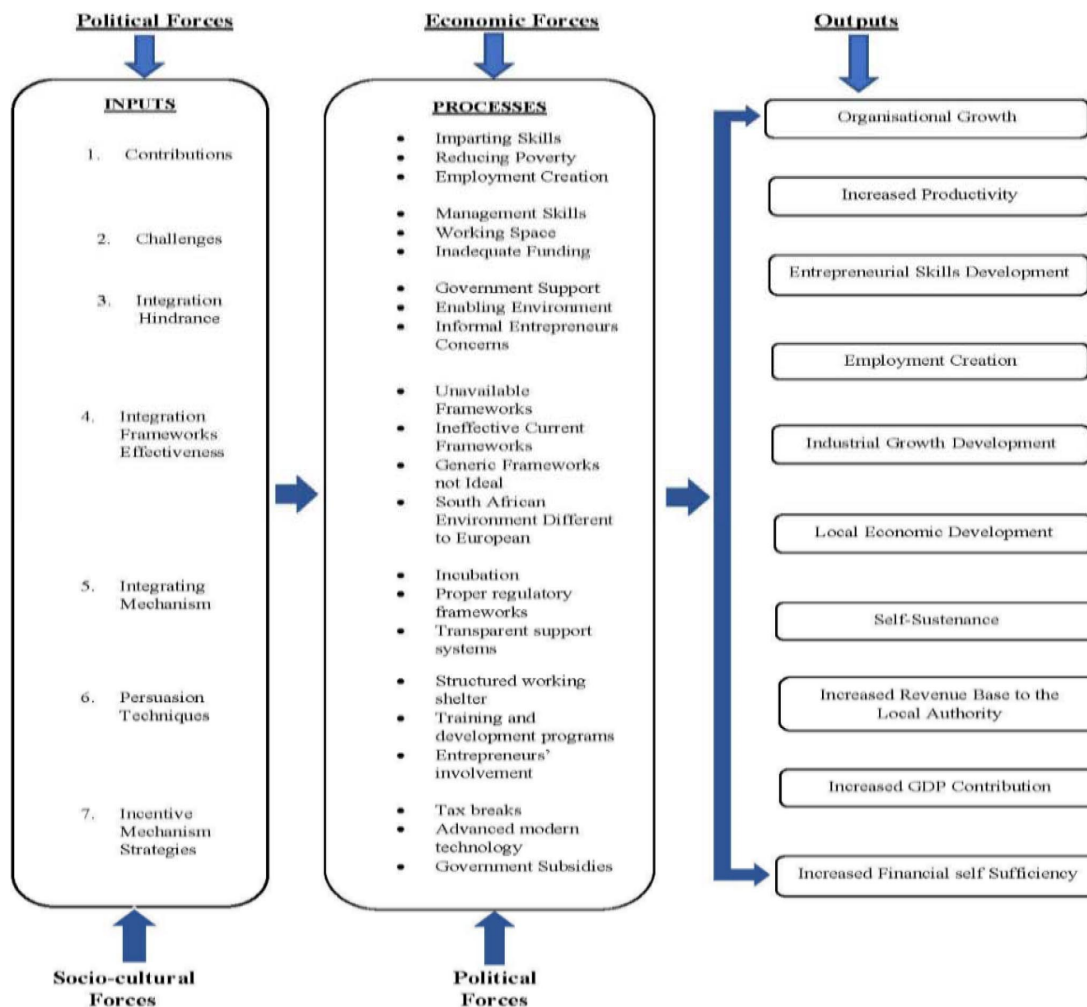
¹⁶ Hamid, M. R., ami, W. and Sidek, M. H. (2017). Discriminant Validity Assessment: Use of Fornell & Larcker criterion versus HTMT Criterion. *Journal of Physics: Conference Series*, 890, 1-15.

Table 6

Discriminant validity ¹⁷

Fornell-Larcker Criterion Analysis							
	Con	Cha	IF	IFE	IM	PT	IMS
Con	0.81						
Cha	0.66	0.87					
IF	0.76	0.54	0.88				
IFE	0.58	0.61	0.69	0.82			
IM	0.46	0.48	0.62	0.45	0.82		
PT	0.78	0.45	0.71	0.63	0.57	0.87	
IMS	0.49	0.69	0.50	0.47	0.54	0.43	0.85

Inputs, processes, and outputs comprise the framework (fig.1). Political, economic, socio-cultural, external environmental, legal, and technological variables are inputs. The framework's main drivers are factor-analysed input variables. They bring informal entrepreneurs into the official economy. Process variables, political, economic, socio-cultural, external environmental, legal, and technological factors make up processes. Process variables affect informal enterprise absorption into the formal sector. The processes produce results that benefit from integrating informal entrepreneurs into the formal economy. Results are the culmination of input, process, political, economic, socio-cultural, environmental, legal, and technological elements. The results help informal entrepreneurs into the formal sector.

**Figure 1. Informal Entrepreneurs Integration Framework ¹⁸**¹⁷ Primary Data: Extracted from Author's Thesis.¹⁸ Primary Data Analysis Results: Developed by Author for the Study.

The input elements and results from combining these inputs, processes, and output variables to predict outcomes are discussed below:

Input Variable 1: Informal Entrepreneur Contributions

The integration processes must be economically viable, and informal entrepreneurs must see the integration process as adding value and benefits rather than as a cost. In this sense, integration is considered as a tool for social and economic participation, such as taxation, which strengthens citizenship and is accompanied with rights and benefits such as social security. However, registrations should be progressive and optional, with incentives provided to businesses that are in the process of registering or are already registered. Taxes can also be tailored to the sector of informal enterprises in order to attract future tax investment.¹⁹

If supported, the sector will boost local and national economies. Combining the contribution factor with skill transfer, poverty reduction, and job creation leads to organisational growth, enhanced productivity, job creation, industrial growth, local economic development, GDP contributions, and self-sufficiency.

Insufficient financial, technical, and developmental support is hindering the sector's growth and stability, limiting local governments' benefits. The system also prevents informal entrepreneurs from growing and making money. Additionally, the sector will boost economic growth and jobs. Industrial growth boosts local economies. The rise of the informal sector under local authority will increase tax and levies revenue for the local government. Job creation is feasible. By hiring locally, the sector will absorb the unemployed. Due to informal sector support, informal entrepreneurship will increase the local authority's financial self-sufficiency. Staff will receive higher pay and benefits, join contributing pension funds, receive medical aid, and have more secure jobs.

Input Variable 2: Issues confronting informal entrepreneurs

Informal entrepreneurs struggle with managerial skills, working space, and capital. Managing their activities is difficult since they lack managerial skills. Lack of workspace hinders informal enterprises. Informal enterprises struggle to raise funds due to resource shortages. A well-integrated combination of components and processes boosts organisational growth, productivity, local economic development, and GDP.

All the stakeholders will gain from the sector's growth. Increased revenue will be generated by the entrepreneurs as a result of increased productivity; employees would also get increased salaries. The local government and government will benefit through corporate taxes and levies. Growth, entrepreneurial skill development, job generation, and self-sufficiency will benefit the organisations.

Input Variable 3: Factors impeding informal entrepreneurs' incorporation

The main variable in this section is informal enterprise integration barriers. Integration of informal enterprises is key to sector growth. The process variables are government support, an enabling environment, and informal entrepreneur concerns. Project variables, input variables, and informal entrepreneur integration barriers will boost organisational growth, industrial growth, local economic development, and GDP. Removing impediments to informal entrepreneur integration boosts their success.

Input Variable 4: The efficacy of existing integration frameworks

Current frameworks fail to integrate informal entrepreneurs. Integration mechanisms for informal firms are lacking. Integrated South African informal entrepreneurs cannot be served by generic frameworks. The South African informal business climate is different from developed nations, and existing frameworks do not address its concerns. The OECD and ILO frameworks are useful but not ideal for South Africa. Combining these factor variables: Effective integration frameworks and process variables, such as unavailable, ineffective, generic, and unsuitable frameworks, and South Africa's unique environment will lead to the development of an effective framework to address South Africa's informal integration challenges.

Input Variable 5: Integration Mechanisms of the Informal and Formal Economy

Integration technologies will help informal entrepreneurs integrate. However, mechanisms for integrating the informal and formal economies and integrating process variables like incubation centres, proper regulatory frameworks, and transparent support systems will encourage informal entrepreneurs to take the integration process seriously because they will benefit. The integration process will help the organisations grow, create jobs, enhance local economic growth, and increase informal enterprise and district

¹⁹ Vergne, J.P. & Wry, T. (2014). Categorizing Categorization Research: Review, Integration, and Future Directions. *Journal of Management Studies* (51)1, 56-95. <https://doi.org/10.1111/joms.12044>.

municipality self-sufficiency. Taxes and levies boost local government revenue. Incubation centres will provide informal sector entrepreneurs with capital, resource allocation training, leadership, entrepreneurial development training, and market access to help them succeed. They will also learn environmental scanning to understand how the external world affects them and how to gain and retain a market edge.

Input Variable 6: Persuasion Techniques' Effects

Persuasion strategies help informal enterprises join the formal economy. To encourage sector integration, incentives and supportive regulatory frameworks might be created. Persuasion strategies and integration process factors affect integration factor variable infusion: Structured working shelters, training and development courses, and entrepreneurs' business involvement will gain their trust and compliance. Well-designed and implemented integration frameworks yield positive results.

Input Variable 7: Application of incentive mechanism techniques

Incentives are essential for integrating the informal economy. They encourage entrepreneurs to combine their businesses. If incentive packages are carefully packaged and lined up, the integration process can be completed in the lowest amount of time. Alignment of input integration factor variables: usage of incentive mechanism techniques and integration process variables: tax advantages, advanced technical breakthroughs, and government subsidies will help the sector grow. Informal entrepreneurs will create jobs, generate more money, attain greater financial self-sufficiency, and expand their entrepreneurial abilities. Revenue, taxes, and levies will be collected by the local and district municipalities. Fostering informal entrepreneurship will provide numerous benefits to local governments.

Findings and Discussions

Process variables are factors that influence informal entrepreneur integration. These are the aspects that contribute to the integration exercise's success. To produce the desired outcomes, the process variables must be integrated with the input process variables, as well as the political, economic, socio-cultural, technological, external environmental, and legal elements. The variables of the process are explained further below:

Process Variable 1

The input parameter 1: Contributions has three process variables: skill transfer, poverty reduction, and job creation. Informal entrepreneurs teach their subordinates new skills. One of the contributions made by informal entrepreneurs is their expertise. Skilled workers can have an impact on the productivity of informal businesses. The sector is also intended to alleviate poverty. Informal entrepreneurs and their families can earn a living by creating resources for their families through their informal companies. Furthermore, the sector employs those who are not currently employed in the formal economy. To make the process variables operate, they must be combined with the input variables as well as the political, economic, socio-cultural, external environmental, technological, and legal elements. Once that is completed, good outcomes such as skill transfer, poverty reduction, and job creation will be realised.

Process Variables 2

The input variable 2: Challenges have three process variables: management skills, working space, and insufficient finance. To run their firms, informal entrepreneurs need management skills. Effective decision-making by management boosts business growth and stability. Working space helps informal enterprises succeed. Insufficient workspace makes working tough. Working space shortages diminish productivity. Another obstacle for informal entrepreneurs is capital shortages. Lack of finance prevents informal entrepreneurs from expanding. Lack of human capital, infrastructure, and financial resources hinders informal entrepreneur growth. Process factors must be integrated with input variables, political, economic, socio-cultural, external environmental, technological, and legal issues to be effective. After completion, management skills, suitable working space, and adequate financing will be achieved.

Process Variable 3

The input variable 3: Integration barriers are caused by three process variables: government support, an enabling environment, and the concerns of informal businesses. Effective informal enterprises need government support. Government neglect has hurt the informal sector. An enabling business environment is needed to make the informal sector efficient and effective. Informal entrepreneurs struggle in unfavourable business environments. We must value informal enterprise interests. To achieve outcomes, the government must address their concerns and do everything feasible. Informal entrepreneurs have problems without stakeholders to help them. The process variables need input variables, political, economic, socio-cultural,

technological, external environmental, and legal factors to create results. Government support, an enabling environment, and informal entrepreneurs' challenges solved are positive outcomes.

Process Variable 4

The input variable 4: The success of integration frameworks is influenced by three process variables: unavailable frameworks, inefficient current frameworks, and generic frameworks that are not perfect. In developing countries like South Africa, informal entrepreneur integration mechanisms are lacking. Existing frameworks are not designed to incorporate informal firms in developing nations or the Thabo Mofutsanyane District Municipality. Thus, an integrative framework for informal entrepreneurs in South Africa is essential. The ILO and EU frameworks are fine, however they are not suitable for integrating South African informal firms due to economic and legal differences. Process factors, input variables, political, economic, socio-cultural, technological, external environmental, and legal elements must be blended to obtain results. An efficient integration framework can help integrate informal enterprises.

Process Variable 5

The input variable 5: Incubation, suitable regulatory frameworks, and transparent support systems are three process factors for integration mechanisms. Incubation centres help informal enterprises build the sector by offering resources. To integrate informal enterprises into the formal economy, regulatory institutions are needed. Informal entrepreneurs cannot be absorbed without adequate regulations. For informal sector support, clear structures are needed. Open support methods enable all informal entrepreneurs to get services. To produce results, process factors must be integrated with input variables, political, economic, socio-cultural, technological, external environment, and legal elements. Positive results including incubation, sufficient regulatory frameworks, external environmental elements, and transparent support systems help ensure sector sustainability and growth.

Process Variable 6

The input variable 6: Persuasion tactics comprise three process variables: structured working shelter, training and development programmes, and the involvement of informal entrepreneurs. For informal businesses, structured working shelters are essential. An organised workplace boosts informal entrepreneurs' productivity. Training and development programs equip informal entrepreneurs with knowledge and skills. Informal entrepreneurs must develop business management and growth skills. Informal entrepreneurs must be involved in issues that impact them. Issues affecting informal enterprises may be difficult to handle without their input. To produce results, process factors must be integrated with input variables, political, economic, socio-cultural, external environmental, technological, and legal issues.

Process Variable 7

The input variable 7: Tax breaks, superior modern technology, and government subsidies are three process variables in incentive mechanism designs.

Tax advantages encourage informal entrepreneurs to join the official sector and build their firms. Modern technology makes the sector productive and competitive. Technological advances are lacking in the area. High production is possible with cutting-edge technologies. Government subsidies are an integration plan incentive for informal entrepreneurs to join the formal sector. The process variables, input variables, political, economic, socio-cultural, technological, external environmental, and legal elements must be combined for optimal results.

Results

Integrating informal entrepreneurs into the formal economy produces output variables. These factors make the integration exercise successful. From input and process variables, political, economic, socio-cultural, technological, external environmental, and legal factors are added to produce the desired output variables. The output variables are covered next.

Output variables 1

Contributions, skill transfer, poverty reduction, and job creation are the output variables. Further to these, political, economic, socio-cultural, external environmental, technological, and legal factors, will integrate informal entrepreneurs into the formal economy. The outcome will be company growth and productivity.

Output variable 2

Challenges involve three process variables: management skills, working space, and insufficient finance. These variables, along with managerial skills, adequate working space, funding, and political, economic,

socio-cultural, external environmental, technological, and legal factors, will help informal entrepreneurs enter the formal economy. This will improve informal entrepreneurship skills.

Output variable 3

The input variable 3: Government assistance, an enabling climate, and informal business concerns produce integration hurdles. These factors, along with political, economic, socio-cultural, external environmental, technological, and legal factors, will assist integrate informal enterprises into the economy. The consequence will create informal entrepreneurship jobs.

Output variable 4

The input variable 4: The success of integration frameworks is influenced by three process variables: unavailable frameworks, inefficient current frameworks, and generic frameworks that are not perfect. The integration of informal entrepreneurs will be motivated by a combination of these variables as well as political, economic, socio-cultural, technological, external environmental and legal considerations. The outcome will lead to industrial growth and local economic development.

Output variable 5

The input variable 5: Incubation, suitable regulatory frameworks, and transparent support systems are three process factors for integration mechanisms. Infusing these variables with political, economic, socio-cultural, technological, external environmental and legal considerations will push informal enterprises to integrate. This will lead to self-sustainability for entrepreneurs and the sector.

External environmental influences

The external environment in which the business operates is extremely important since it influences the survival and growth of business entities. The external environment is unregulated and uncontrollable by the business. The internal environment has an impact on the business and is managed by the business. There are dynamic aspects in the external environment over which the organisation has no control. These variables can have an impact on the business's operations in either a positive or negative way. These variables are described in more detail below:

Political factors

The business's success is determined on the political environment. When the political environment is reasonably stable, business strategies and plans are more likely to be realised. When the political environment is insecure, it discourages the formation and execution of corporate plans.

It also discourages investors from taking advantage of business opportunities because there is little certainty in carrying out commercial endeavours under such environmental conditions. Government transitions inevitably result in changes in the political atmosphere and interests of various government priorities, causing the economy to suffer at the hands of politicians. The elements that present in both the macro and market environment are competition, government policies, natural forces, social and cultural influences, demographic considerations, and technological advances. Businesses have no control over market competitiveness, but they do have a responsibility to monitor what is going on. Government policies are laws and regulations that control a country's economy and have an impact on corporate operations.²⁰

Economic considerations

The current economic conditions are having a negative impact on some areas of the economy. It will be difficult to conduct business in such circumstances. High-interest rates, price hikes, and high inflation rates as a result of unstable prices are some of the economic variables that impede business development and growth. Investors will be unwilling to part with their money in such circumstances.

Social and cultural variables

Consumer purchase decisions are influenced by societal activities and trends such as lifestyles. Tradition or religion may influence and discourage the purchase and consumption of specific products, hence influencing the consumption of specific commodities and services. A shift in consumer and environmental consumption patterns enables many enterprises to adapt to a new consumption culture affected by globalisation.

Technological aspects

Informal entrepreneurs typically use less developed technologies. This has a negative impact on their operations, as contrasted to huge firms that deploy advanced technologies to boost productivity. The high

²⁰ David, F. R. (2017). *Strategic Management: A Competitive Advantage Approach 16th Global Edition*. London: PHI Learning.

cost of acquiring new technology is a deterrent for informal entrepreneurs that lack the financial capacity to purchase sophisticated equipment. The cost of manufacturing for informal businesses rises, causing their products to become significantly more expensive when compared to those produced by huge corporations. This occasionally drives them out of business. A corporation cannot control technological changes and must instead adapt to them in order to be successful.²¹

Legal considerations

The legislative framework that oversees the regulatory framework must be advantageous enough to foster a business-friendly environment. Some regulatory regimes may act against informal businesses. There is a need to have a solid legal framework that protects large firms as well as current informal entrepreneurs, encouraging and supporting them to flourish until they are integrated into the mainstream economy.

The Operational Framework's Importance

Instead of operating within generic informal entrepreneurship integration frameworks derived from other countries such as the OECD, the United States, Australia, or any other developed country, the author has decided to create an integration framework tailored to the South African economy. Informal entrepreneurship in South Africa should be studied and understood in light of the country's political history during apartheid.²²

During that time, the phrases informal, black, and illegal were frequently used to describe undesirable economic practises. However, there have been significant changes in this regard. The informal economy includes all unregulated and unregistered business activity.²³ Other economies' operational frameworks may not be the best alternatives for addressing the South African informal sector formalisation process. Given South Africa's recent political history, it is important to develop a home-grown integration framework capable of resolving the country's economic and political abnormalities.

Conclusion

If the Thabo Mofutsanyane District Municipality's operational framework for integrating informal enterprises into the formal economy is properly executed, it will provide a number of benefits. It is not a one-sided structure that only helps one party; rather, it serves a variety of stakeholders, including informal entrepreneurs, local governments, national governments, and employees.

The following are the benefits of utilising the proposed framework:

The paradigm is tailored to the South African context and is based on empirical data. It differs from other contemporary frameworks in that it does not address the difficulties of South African informal businesses due to disparities in economic sectors. Developed economies are not the same as emerging economies, of which South Africa is a member. The informal entrepreneurs will establish methods of obtaining capital, business training and development, and other essential government assistance. The assistance they receive will encourage the growth of their firms from incubation to maturity, resulting in business growth. Entrepreneurs will be self-sufficient while simultaneously providing employment possibilities for others. There is also possibility for the organisations to expand till they reach the status of conglomerates.

The local government will benefit since it will be able to grow its income base by collecting taxes and other levies from these enterprises after they combine their operations. The creation of jobs for locals will be an extra benefit. Local authorities will be developed, culminating in their self-sufficiency because they will be able to collect adequate cash for their development.

²¹ Amollo, L. O. (2012). *Challenges of Strategy Implementation at the Parliamentary Service Commission of Kenya*. Nairobi: Unpublished Master of Business Administration Dissertation, University of Nairobi.

²² Ndabeni, L. L., Tholo, H. and Ndabeni, M. (2019). Incorporating science, technology and innovation in small, medium and micro enterprise development. *Journal of Public Administration*, 54(4-1), 1-15. Tassin, R. E. (2014). *Transiting from the informal to formal business: Motives, challenges, and the coping mechanisms of selected transited businesses in Bloemfontein Area*. Bloemfontein: Master of Business Administration Dissertation, Central University of Technology, Free State.

²³ De Beer, J., Fu, K. and Vincent, S. W. (2013). *The Informal Economy, Innovation and Intellectual Property: Concepts*. World Intellectual Property Organisation.

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